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States Department of Agriculture

Home Administration

Program Aid No. 977

Home Ownership Loans



Home Ownership Loans

The Farmers Home Administration (FmHA) provides loans in rural areas to finance homes and building sites. Rural areas include open country and places with population of 10,000 or less and, under certain conditions, towns and cities between 10,000 and 20,000 population.

Each person who applies gets equal consideration without regard to race, color, religion, sex, marital status, age, handicap, or national origin.

How May Loan Funds Be Used?

Home ownership loans may be used to buy, build, improve, repair, or rehabilitate rural homes and related facilities, and to provide adequate water and waste disposal systems.

Homes may be built on individual tracts or in subdivisions. Funds may also be used to modernize homes—add bathrooms, central heating, modern kitchens, and other improvements such as driveways and foundation plantings.

Borrowers may buy an existing house and lot or buy a site on which to build a home. Under certain conditions, funds may be used to refinance debts on a home.

Who May Borrow?

Home ownership loans are offered to help families with low and moderate income. These families must:

1. Be without decent, safe, and sanitary housing.
2. Be unable to obtain a loan from private lenders on terms and conditions that they can reasonably be expected to meet.
3. Have sufficient income to pay house payments, insurance premiums and taxes, and necessary living expenses. Persons with inadequate repayment ability may obtain co-signers for the loan.
4. Possess the legal capacity to incur the loan obligation.
5. Possess the ability to carry out the undertakings and obligations required in connection with the loan.

Under some conditions, holders of long-term leases on farms or building sites may be eligible.

What Are the Terms?

Loans may be made for up to 100 percent of the FmHA-appraised value of the site and the new home if construction inspections were made by FmHA or other parties authorized by FmHA. Homes over 1 year old and improvements to them also may be financed with 100 percent loans. The maximum repayment period is 33 years.

Is the Borrower Expected To Refinance the Loan?

FmHA loans make it possible for families of low and moderate income to become owners of adequate homes. When the financial position of the family improves so that the loan can be refinanced through a commercial lender, the loan contract provides that this shall be done.

Who Determines Applicant Eligibility?

The FHA county supervisor usually determines the eligibility of applicants.

What About Size and Design of Homes?

Homes will be modest in size and cost but adequate to meet family needs. New homes average about 1,050 square feet of living area. Cost varies in different areas of the country.

Who Furnishes Building Plans?

Applicants or builders are expected to supply detailed building plans, specifications, and cost estimates. These may be obtained from any reliable source. The Farmers Home Administration has a limited number of plans available.

Where May Houses Be Located?

Houses will be located on desirable sites with an assured supply of safe drinking water and suitable arrangements for sewage disposal. In subdivisions, the houses will be sited in an attractive manner to avoid straight-line monotony and to accent and preserve the natural advantages of topography, trees, and shrubbery. The streets, water, and waste disposal systems shall meet FmHA requirements. Funds may be included in the loan to finance lawn seeding and landscaping measures that beautify the home and make it an attractive addition to the community.

Are Plans Reviewed and Is Construction Inspected?

Yes. The Farmers Home Administration reviews the plans and inspects the construction as it progresses.

When Can Construction Start?

When a borrower obtains a loan to build or improve a home, the loan must be closed before construction starts or debts incurred for material or labor.

What Security Is Required?

Each loan will be adequately secured to protect the Government's interest. A loan of more than \$2,500, and any loan to be repaid in more than 10 years, will be secured by a mortgage on the building site or the farm and on other property as necessary to secure the loan.

Under certain conditions, small loans may be secured by a mortgage on real estate or other suitable security

A loan of not more than \$2,500 scheduled for repayment within 10 years may be secured under certain conditions by a promissory note.

Are There Loan Fees and Other Charges?

The applicant pays for the legal services necessary to guarantee a satisfactory title to the site, for credit reports, and other incidental loan closing costs. These expenses may be included in the loan.

Where Does One Apply?

Applications are made at the Farmers Home Administration county office serving the area in which the house or farm service buildings will be located.

Anyone unable to locate the FmHA county office in the local telephone directory may write to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250.

Is There Other Housing Credit?

The Farmers Home Administration also offers:

1. Loans to build rental or cooperatively owned housing for the elderly and low- and moderate-income families.
2. Building site loans to local nonprofit organizations to buy, develop, and sell home sites on a nonprofit basis to applicants eligible for home ownership loan assistance.
3. Self-help housing loans to groups of low-income rural families who work together on the construction of their homes to reduce the cash cost. Public and private nonprofit organizations may obtain grants to provide technical assistance to such groups.
4. Loans to owner-occupants with low or moderate income to make minor repairs or home improvements.
5. Loans and, in some cases, grants for labor housing for domestic farm workers.

What Other Loans Does Farmers Home Administration Make?

The agency makes loans to buy, develop, and operate family farms; institute water development and soil conservation practices; establish or improve rural water and waste disposal systems; develop small watershed projects; reimburse farmers for losses from natural disasters; develop rural business and industry; and provide essential community facilities.

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